

TOWNSHIP OF CHESTONIA
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Chestonia	County Antrim
Audit Date 3/31/05	Opinion Date 5/4/05	Date Accountant Report Submitted to State: 8/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Daniel S. Smith, CPA

Street Address 114 S. Center Ave. Suite 108	City Gaylord	State MI	ZIP 49735
Accountant Signature 			Date 8/22/05

TOWNSHIP OFFICIALS

SUPERVISOR

ROBERT BECKNER

CLERK

TWILLA COON

TREASURER

JUNE BORST

TRUSTEES

JANET SIMMONDS

DONALD MYERS

CHESTONIA TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT

July 11, 2005

To the Township Board
Chestonia Township

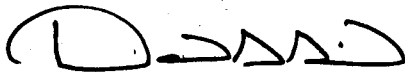
I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chestonia Township, Antrim County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chestonia Township, Antrim County, Michigan as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2005.

The management's discussion and analysis on pages III – V and budgetary comparison information on pages 18 – 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Daniel S. Smith, CPA.

CHESTONIA TOWNSHIP

CHESTONIA TOWNSHIP MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2005

This section of Chestonia Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Township assets at March 31, 2005, as reported in the Statement of Net Assets, totaled approximately \$227,000 for governmental activities. Of the total Township assets, approximately \$120,000 represents capital assets net of depreciation.

Overall revenues were approximately \$151,000 (\$12,000 from program revenues and \$139,000 from general revenues). Overall expenses approximated \$153,000.

The Township did not incur any new debt instruments during the year, nor were there any debt service payments. Long term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Township. The Township does not engage in any business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Township are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets decreased approximately \$2,362 during the year ended March 31, 2005 totaling \$140,620.

The decrease is mainly due to the legal fees paid in order to support the Township's position relative to the "Star-Chestonia" Fire Board legal matter.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Government Funds: The fund balances for governmental funds increased \$290. The increase is greater than the "net assets" increase because the depreciation expense is recorded in the statement of activities but not in the fund statements.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would primarily include township administration, assessing, zoning, the costs to operate the township hall, as well as fire protection and ambulance services. The major sources of revenue for the general fund are the Township tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: There were no major capital asset purchases over the past year.

Long-Term Debt: The Township has no long term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

As of July 11, 2005, the Township had recently won an appeal made by Star Township relative to the "Star Chestonia" Fire Board legal matter. It is Chestonia Township's hope that tax dollars collected by Star Township will be paid to the newly establish "Alba Fire Department" which is funded through tax dollars paid by the taxpayers of Chestonia Township. (See Note G)

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact one of the following Township officials.



Robert Beckner, Supervisor



Twilla Coon, Township Clerk



June Borst, Township Treasurer

**CHESTONIA TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2005**

ASSETS

Current Assets:

Cash	\$	97,545
Due from the County		9,395
Due from Other Funds		121

Total Current Assets		107,061
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Noncurrent Assets:

Property, Plant and Equipment		157,594
Accumulated Depreciation		(37,366)

Total Noncurrent Assets		120,228
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Total Assets		227,289
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LIABILITIES

Liabilities

Accrued Liabilities		444
Due to Fire Board		55,053
Due to Ambulance Authority		8,172
Note Payable - Fire Truck		23,000

Total Liabilities		86,669
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NET ASSETS

Net Assets, Unrestricted		20,392
Investment in Fixed Assets		120,228

Total Net Assets	\$	140,620
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See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED 31, 2005**

	P R O G R A M R E V E N U E S				NET REVENUE (EXPENSE) AND CHANGE IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRI- BUTIONS	CAPITAL GRANTS AND CONTRI- BUTIONS	GOVERNMENTAL ACTIVITIES
GOVERNMENTAL ACTIVITIES:					
Township Administration	\$ (53,370)	\$ 7,725	\$ -	\$ -	(45,645)
Assessing	(6,585)	-	-	-	(6,585)
Township Hall	(5,095)	4,140	-	-	(955)
Fire Protection	(67,914)	-	-	-	(67,914)
Ambulance Services	(8,172)	-	-	-	(8,172)
Road Improvements	(4,048)	-	-	-	(4,048)
Other Services	(5,234)	-	-	-	(5,234)
Unallocated Depreciation	(2,652)	-	-	-	(2,652)
Total Governmental Activities	(153,070)	11,865	-	-	(141,205)
GENERAL REVENUES					
Property Taxes					88,656
State Shared Revenue					37,941
Swamp Tax					8,969
Other					3,277
Total General Revenues					138,843
Change In Net Assets					(2,362)
Net Assets - Beginning of Year					142,982
Net Assets - End of Year					\$ 140,620

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

		GENERAL FUND
		<hr/>
	ASSETS	
Current Assets		
Cash		\$ 97,545
Due from the County		9,395
Due from other Funds		121
		<hr/>
Total Assets		107,061
		<hr/>
	LIABILITIES AND FUND EQUITY	
Liabilities		
Accrued Liabilities		444
Due to Fire Board		55,053
Due to Ambulance Authority		8,172
Note Payable - Fire Truck		23,000
		<hr/>
Total Liabilities		86,669
		<hr/>
Fund Equity		
Fund Balance		20,392
		<hr/>
Total Liabilities and Shareholders' Equity		\$ 107,061
		<hr/> <hr/>

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005**

**TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES
PER THE BALANCE SHEET**

\$ 20,392

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not used in the funds

120,228

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES
PER THE STATEMENT OF NET ASSETS**

\$ 140,620

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005**

	GENERAL FUND
Revenues:	
Current Taxes	\$ 88,656
State Shared Revenue	37,941
Swamp Tax	8,969
Charges for Services	7,725
Interest	179
Rents and Royalties	4,386
Miscellaneous	2,852
Total Revenues	<u>150,708</u>
Expenditures:	
General Government	65,114
Public Safety	76,086
Street Lighting	3,789
Street/Road Paving	4,048
Parks and Recreation	1,381
Total Expenditures	<u>150,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>290</u>
Fund Balance - Beginning of Year	<u>20,102</u>
Fund Balance - End of Year	<u><u>\$ 20,392</u></u>

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005**

**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
PER THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

\$ 290

Amounts reported for governmental activities in the Statement
of Activities are different because:

Depreciation expense is recorded in the statement of activities,
but not in the governmental fund financial statements

(2,652)

**CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES**

\$ (2,362)

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2005**

	ASSETS	
Cash - Tax Checking		\$ 121
		<hr/>
	LIABILITIES	
Due to Other Funds		121
		<hr/>
	NET ASSETS	
Net Assets		\$ -
		<hr/> <hr/>

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2005**

RECEIPTS

Property Taxes and Interest

\$ 588,062

DISBURSEMENTS

Property Taxes and Interest

588,062

Change in Fiduciary Net Assets

-

Fiduciary Net Assets - Beginning of Year

-

Fiduciary Net Assets - End of Year

\$ -

See accompanying notes to the financial statements

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE A: ENTITY

The Township of Chestonia is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including community enrichment and human services. The criteria established for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On the basis, the financial statements include all of the governmental functions of Chestonia Township except for the activities of the Alba Fire Department which is audited as a separate entity.

Additionally, the Township joined the "Township Ambulance Authority" in November, 2002. The Authority was established as a joint venture of nine townships in Antrim County in order to most effectively meet the ambulance service needs of the citizens in the participating area. Chestonia Township levied .4756 mills, along with every other township in order to fund the Authority. The Authority's statements are audited under separate cover.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Chestonia Township are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Chestonia Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2004, Chestonia Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Township as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental fund:

General Fund - This fund is used to account for all financial transaction except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, State revenue sharing, and other inter-governmental revenues.

Other Funds

Fiduciary Funds – these funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in the category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 31, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 31, 2004, are recorded as revenue in the current year. The Township's taxable value for the 2004 tax year totaled \$17,188,744.

The tax rates for the year ended March 31, 2005, were as follows:

**PURPOSE
RATE/ASSESSED VALUATION**

General	0.9241 mills per \$1000
Fire – Operating	0.9513 mills per \$1000
Fire Equipment – Voted	2.0000 mills per \$1000
Fire – Special Assessment	1.0000 mills per \$1000
Ambulance	0.4756 mills per \$1000

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31, of each year. There are no carryover budget items. During the year ended March 31, 2005, no over-expenditures were noted.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalized assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25-50
Improvements, other than buildings	10-20
Machinery and equipment	5-10
Vehicles	5-10
Infrastructure	20-40

Land, construction in progress, and library books and periodicals are not depreciated.

With respect to asset improvements, costs over \$1000 should be capitalized if:

1. The estimated life of an asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased y more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bonds discount or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

All cash and investments are maintained in a financial institution in the Mancelona, Michigan area. The cash account consists of all monies that are available to the entity with maturities of less than 90 days. Investments consist of those monies that have original maturities of 90 days or more. The following represents cash and investments that are insured by FDIC:

	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Cash	\$97,546	\$97,753

Statutory Authority

Act 217, PA 1982, authorizes the Township to deposit and invest in:

(a) bonds and other direct obligations of the United States or its agencies

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

Statutory Authority (continued)

- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, PA 1855, as amended
- (c) Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States Government or Federal Agency obligation repurchase agreements
- (e) Banker's acceptance of United States banks
- (f) Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Township's cash and investments are in accordance with statutory authority.

NOTE D: FIRE PROTECTION

Fire protection services are being provided to the Township by the Alba Fire Department, and millage has been levied by the Township to pay for these services. The financial statements of the Alba Fire Department are audited under separate cover.

It is the Township's policy to collect the tax levy and pay the entire levy over to the Fire Board. The tax levy for the year ended March 31, 2005, was \$63,554. This amount is included in the Township's general fund expenditures as "fire protection". Chestonia Township exercises oversight responsibility regarding the Alba Fire Department.

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE E: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land</u>	<u>Buildings & Improvements</u>	<u>Equipment</u>	<u>Totals</u>
<i>Governmental Activities</i>				
<i>Capital Assets</i>				
Balance, April 1, 2004	\$ 86,522	\$ 66,072	\$ 5,000	\$ 157,594
Increases	-	-	-	-
Decreases	-	-	-	-
Balance, March 31, 2005	<u>86,522</u>	<u>66,072</u>	<u>5,000</u>	<u>157,594</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2004	-	32,214	2,500	34,714
Increases	-	1,652	1,000	2,652
Decreases	-	-	-	-
Balance, March 31, 2005	<u>-</u>	<u>33,866</u>	<u>3,500</u>	<u>37,366</u>
Capital Assets, Net	<u>\$ 86,522</u>	<u>\$ 32,206</u>	<u>\$ 1,500</u>	<u>\$ 120,228</u>

Depreciation expense was not charged to functions of the Township – it is stated as “unallocated depreciation” on the Statement of Activities.

NOTE F: INSURANCE

The Township is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said year, all members of the pool's policy year may be subject to special assessment to make the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses, including accident insurance.

NOTE G: COMMITMENTS/CONTINGENCY

As of July 11, 2005, the Township continues to await an “ultimate” legal decision relative to the cost of paying for a 2000 fire truck (pumper). A recent court of appeals decision was made which would cause Star Township to pay its portion of the annual capital lease payments toward the pumper. The total future liability of the lease is the annual payment of \$20,952, or eleven payments totally \$230,472. Chestonia Township will continue to levy tax dollars to fund its share of the lease payment.

**CHESTONIA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE H: DUE TO OTHER GOVERNMENTAL UNITS

The Township owes the following governmental entities for the collection of 2004 property taxes:

Township Ambulance Authority	\$ 8,172
Alba Fire Department	<u>55,053</u>
Total	<u>\$ 63,225</u>

CHESTONIA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Property Taxes	\$ 46,658	\$ 82,158	\$ 88,656	\$ 6,498
State Grants:				
State Shared Revenue	33,500	33,500	37,941	4,441
Swamp Tax	8,900	8,900	8,969	69
Charges for Services:				
Property Tax Administration Fee	4,750	4,750	6,185	1,435
Summer Tax Reimbursement	1,945	1,945	1,540	(405)
Rents and Royalties	4,340	4,340	4,386	46
Interest	-	-	179	179
Miscellaneous	780	780	2,852	2,072
Total Revenues	<u>100,873</u>	<u>136,373</u>	<u>150,708</u>	<u>14,335</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Salaries	2,000	2,000	1,650	350
FICA	8,400	8,400	2,001	6,399
Professional Fees	13,700	13,700	13,625	75
Spring Clean Up	5,500	5,500	4,830	670
Insurance	3,500	3,500	4,187	(687)
Data Processing	1,500	1,500	1,564	(64)
Office Supplies	2,000	2,000	1,393	607
Printing and Publishing	1,200	1,200	513	687
Membership and Dues	500	500	322	178
Capital Outlay	-	-	200	(200)
Snow Plowing	-	-	160	(160)
Miscellaneous	365	365	883	(518)
Total Township Board	<u>38,665</u>	<u>38,665</u>	<u>31,328</u>	<u>7,337</u>
Supervisor:				
Salary	6,700	6,700	5,760	940
Miscellaneous	-	-	203	(203)
Total Supervisor	<u>6,700</u>	<u>6,700</u>	<u>5,963</u>	<u>737</u>

CHESTONIA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Election:				
Wages	1,400	1,400	1,338	62
Miscellaneous	-	-	154	(154)
Total Election	\$ 1,400	\$ 1,400	\$ 1,492	\$ (92)
Assessor:				
Salary	\$ 6,500	\$ 6,500	\$ 6,000	\$ 500
Miscellaneous	-	-	585	(585)
Total Assessor	6,500	6,500	6,585	(85)
Clerk:				
Salaries	6,300	6,300	5,750	550
Miscellaneous	-	-	277	(277)
Total Clerk	6,300	6,300	6,027	273
Board of Review:				
Wages	1,000	1,000	1,018	(18)
Treasurer:				
Salaries	8,000	8,000	6,940	1,060
Miscellaneous	-	-	602	(602)
Total Treasurer	8,000	8,000	7,542	458
Township Hall:				
Communication	1,200	1,200	1,027	173
Utilities	2,000	2,000	3,133	(1,133)
Repair and Maintenance	2,200	2,200	875	1,325
Miscellaneous	-	-	60	(60)
Total Township Hall	\$ 5,400	\$ 5,400	\$ 5,095	\$ 305

**CHESTONIA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Public Safety:				
Fire Protection	\$ 27,000	\$ 63,000	\$ 67,914	\$ (4,914)
Ambulance Services	6,648	6,648	8,172	(1,524)
Total Public Safety	33,648	69,648	76,086	(6,438)
Other Services:				
Street Lighting	5,000	5,000	3,789	1,211
Street/Road Paving	5,000	5,000	4,048	952
Recreation	2,000	2,000	1,381	619
Salary - Library	500	500	64	436
Total Other Services	12,500	12,500	9,282	3,218
Total Expenditures	120,113	156,113	150,418	5,695
Excess (Deficiency) of Revenues Over Expenditures	(19,240)	(19,740)	(290)	20,030
Fund Balance - Beginning of Year	20,102	20,102	20,102	-
Fund Balance - End of Year	\$ 862	\$ 362	\$ 20,392	\$ 20,030